



## DOWN PAYMENT LOAN PROGRAM

### Guidelines and Procedures Section 1

#### A. PURPOSE OF THE PROGRAM

**Purpose:** The Down Payment Loan program can be used by a qualifying Missouri resident to more readily secure a loan from a participating lender, either providing the full down payment, or supplementing the down payment amount available. It may be used in conjunction with several MASBDA programs, for example the Beginning Farmer Loan Program, providing the borrower meets the criteria for both programs. It may also be used in conjunction with non-MASBDA programs.

A qualified borrower can borrow up to 30% of the purchase price, or \$200,000, whichever is less, for:

- Agricultural land
- Agricultural machinery, equipment, livestock, trees, nursery stock, or specialty crops
- Purchase, construction, or improvement of, a qualifying agribusiness, agricultural buildings, livestock facilities, agricultural facilities, or a processing facility

The interest rate will be adjusted quarterly – on January 1, April 1, July 1, and October 1 – to be equal to Wall Street Journal Prime as of that date. Please call MASBDA to confirm the current rate.

- During the life of the loan, the borrower may request a change in interest rate one time, for a fee of \$100, plus any closing costs or associated filing fees.
- There is no penalty for prepayment.

The loan may not be used to refinance existing debt, provide operating capital, or finance a residence.

#### B. ELIGIBILITY QUALIFICATIONS - BORROWER

- Age – At least 18 years old
- A Missouri resident at the time the loan is closed
- Project is located in Missouri
- The borrower has to meet the requirements of both MASBDA and the lender to secure a loan, and have adequate experience in the type of project or business they are pursuing
- Borrower is the principal operator of the farming operation or project financed
- Previous land ownership – No restrictions (unless used in conjunction with MASBDA's Beginning Farmer Loan)
- Farm income requirement – None (unless used in conjunction with MASBDA's Beginning Farmer Loan)

- Current Ratio (current assets/current liabilities) >1:1 at the time of application (without a guaranteed source of repayment)
- Debt to Asset < 80% (without a guaranteed source of repayment)
- Debt Service Coverage (net operating income/annual debt) > 120% (without a guaranteed source of repayment)
- If the borrower does not meet the underwriting criteria, the Down Payment Loan can be approved if there is a guarantor. The guarantor has to meet the same credit criteria as the borrower. If there will be a guarantor for the loan, the guarantor's financial statements and credit bureau report must be included with the application. If a borrower is utilizing an FSA participation loan program, a third position may be considered if the borrower will have a guarantor who meets the financial eligibility criteria.

### C. ELIGIBILITY QUALIFICATIONS – LENDER

- Lender's Certification – Certify that no other private or state credit can be obtained; FSA may or may not be involved
- Lender certifies the borrower's debts are at a current status at the time the Down Payment Loan is closed
- Lender agrees MASBDA will take a second deed of trust, or second position on real estate and/or chattel.

### D. FEES

- \$100 non-refundable fee submitted at the time of application
- 1.50% closing fee, due at closing (\$300 minimum). The participation fee may be financed as a part of the loan.
- \$100 fee for one-time interest rate reduction option, plus any closing and filing fees.

### E. LOAN TERMS

- Minimum Loan: None
- Maximum Loan: 30% of the purchase prices, or \$200,000, whichever is less
- Interest rate is fixed for the life of the loan. However, the borrower may request a one-time interest rate reduction during the life of the loan, if they see an advantage.
- Specialty crops or nursery stock – 3 years
- Machinery, equipment, or livestock –7 years
- Construction, or purchase of livestock facilities, agricultural facilities – 12 years with a balloon at the end of year 10
- Real estate, qualifying agribusiness, or processing facility – 20 years with a balloon at the end of year 10
- Real estate if using an FSA program – 30 years with a balloon at the end of year 10
- MASBDA will take a second deed of trust, or second position on all collateral or chattel. A lower position may be considered if the borrower is utilizing an FSA joint participation program. In that circumstance, a guarantor is required and the guarantor must meet the same financial ratio requirements (current ratio, debt to asset ratio, and debt service coverage ratio) as the borrower. If a borrower is utilizing an FSA participation loan program, a third position may be considered if the borrower will have a guarantor who meets the financial eligibility criteria.

## F. DEFINITIONS

- Buildings, Machinery, and Equipment – Buildings, farm machinery, or equipment which are used for the purpose of producing farm products or livestock, and used directly in the production of farm products or livestock.
- Guaranteed Source of Repayment – An Assignment of Payment directly to MASBDA based on a production, marketing, or sales contract, such as a livestock production contract or a milk marketing contract.
- Livestock – cattle, swine, sheep, ratite birds, including, but not limited to ostrich and emu, llamas, alpaca, buffalo, bison, elk, and raised in confinement for human consumption or animal husbandry, goats and poultry, aquaculture, or vermiculture.
- Nursery Crops or Specialty Crops – including, but not limited to, fruit or nut trees, vegetables, dried fruit, maple syrup, honey, honeybees, horticulture or nursery crops (including floriculture), such as blueberries, blackberries, grapes, raspberries, strawberries, elderberries, seeds or plugs for such crops as miscanthus or bermudagrass.
- Processing Facility – A facility producing either a good derived from an agricultural commodity, or using a process to produce a good derived from an agricultural product. Examples include, but are not limited to, feed mills, soybean crush facilities, renewable fuel production facilities, meat processing facilities, dairy processing, distilleries, wineries, or branded food products.
- Qualifying Agribusiness – A business which adds value (through processing, packaging, further processing, etc.), an agricultural support business, a marketer or retailer of agricultural products, a business offering emerging agricultural technology, or agri-tourism facility.

## G. APPLICATION AND APPROVAL PROCESS

- Application packet includes:
  - Joint Down Payment Loan application, signed by both the lender and borrower(s), and guarantor (if applicable)
  - Personal financial statements, and farm financial statements (if applicable): one from previous year end, and one less than one month old, signed by all borrowers, and guarantor (if applicable)
  - Completed borrower background form signed by borrower(s)
  - Pro-forma (after-closing) financial statement
  - Global projected cash flow statement
  - Prior three year's tax returns (or as many as are available)
  - Credit Bureau report on the borrower(s)
  - Copy of signed feeding contract (if applicable)
  - Copy of signed Assignment of Payment (if applicable)
  - Copy of Nutrient Management Plan (if applicable)
  - Affidavit of Authorized Workers and proof of enrollment in E-Verify, the federal work authorization program (if the borrower has employees in connection with the project financed.)

- Guarantor financial statements and credit bureau report (if applicable)
- The application will be reviewed by the MASBDA board.

## H. CLOSING PROCEDURES

- Two weeks prior to loan closing, lender will return to MASBDA:
  - Copy of Appraisal (if applicable)
  - Copy of bill of sale, purchase agreement, settlement statement, sale receipt of purchase(s), if applicable
  - ACH/Check/Wiring instructions for the borrower, bank or title company
  - MASBDA will communicate to the borrower the amount of closing/filing fees due on the day of closing.
- Day of closing:
  - MASBDA will bring the Loan Origination Agreement, Deed of Trust, Mortgage and Security Agreement, and Guaranty Agreements to be signed by the borrower(s) at closing.
  - MASBDA will collect the 1.50% closing fee (minimum of \$300).
  - MASBDA will collect closing/filing fees.
  - MASBDA will disburse loan proceeds to borrower (or title company).
- Following loan closing:
  - MASBDA will file original Deed of Trust (if applicable) with the county recorder.
  - MASBDA will file UCC-1 (if applicable) with the Secretary of State's office.
  - MASBDA will receive proof of insurance listing MASBDA as a mortgagee.
  - MASBDA will receive title policy from title company.
- This program may also be used in conjunction with the following MASBDA programs:
  - Animal Waste Loan Program
  - Family Farm Breeding Livestock Tax Credit Program
  - Single-Purpose Animal Facilities Loan Guarantee Program
  - Value-Added Agriculture Loan Guarantee Program

**Note:** A Down Payment Loan coupled with a Beginning Farmer Loan must close the same day.

## I. SUBMISSION OF INFORMATION

**For further information regarding this program and other financing options contact:**

Missouri Agricultural and Small Business Development Authority  
 P.O. Box 630  
 1616 Missouri Boulevard  
 Jefferson City, MO 65102-0630  
 Telephone: (573) 751-2129  
 Fax: (573) 522-2416  
 E-mail: [masbda@mda.mo.gov](mailto:masbda@mda.mo.gov)  
 Web site: [agriculture.mo.gov/abd/financial](http://agriculture.mo.gov/abd/financial)